

NEW JERSEY OFFICE OF THE INSPECTOR GENERAL

Mary Jane Cooper, Inspector General

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For Further Information:
Vinnie Funelas (609) 292-8183

Inspector General Exposes Potential PERS Enrollment Abuse

Report Questions Propriety of Professional Services Provider in State Public Employees' Retirement System

TRENTON – Inspector General Mary Jane Cooper today issued a report questioning the over 27-year State pension enrollment of an individual simultaneously retained by multiple government entities to provide legal services, and specifically the appropriateness of classifying him as an employee eligible for pension credits, rather than an independent contractor. A Gloucester County attorney/partner in his own law firm was retained by various State, county, and municipal entities – as many as seven at one time – that paid his legal fees in a manner, often proposed by the attorney, which enabled him to be enrolled in the State pension system.

“Despite the substantial evidence collected during OIG’s investigation indicating that the individual was an independent contractor, thus not eligible for State pension enrollment, the entities deducted pension contributions from his payroll-issued checks and made pension contributions on his behalf, treating him as if he were an employee,” Inspector General Cooper said. “The Pension benefits associated with his enrollment are worth hundreds of thousands of State dollars.”

Specific evidence collected during this investigation indicating that the attorney served as an independent contractor rather than an employee includes:

- The attorney assigned associates from his law firm to perform the legal work for which he was paid and gained pension credits.
- OIG found several instances where both the individual and his law firm performed legal services for the entities. These entities paid part of the firms’ fees through the entities’ payroll to provide pension credits to the individual.
- Many conditions of the individual’s work were inconsistent with an employer/employee relationship.

(More)

OIG is referring its report to the Division of Pensions to determine whether the pension credits accumulated under these payment arrangements are appropriate and the benefits associated with them are warranted. Further, OIG has become aware, either through the individual or through other OIG investigations, of additional individuals who may have engaged in similar conduct. OIG is continuing its investigations into the conduct of these individuals and will refer its findings to the Division of Pensions and other appropriate State agencies for their review.

OIG is also referring the conduct of the individuals and entities described in its report to the Division of Criminal Justice, State Ethics Commission, Division of Taxation, Department of Labor and Workforce Development, Division of Local Government Services, and the Office of Attorney Ethics for their review and to determine whether any action is warranted by them.

A full version of the report is available on OIG's web site, www.state.nj.us/oig.

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